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No. 85-2139

Supreme Court, U.S.
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In The

# Supreme Court of the United States

October Term, 1986

CHEMICAL ENGINEERING CORPORATION, ROBERT M. WILFONG, RUDY WILFONG, and LAWRENCE D. GORDON,

*Petitioners,*

v.

LAURENE O. PATERSON and MULTI-TEC, INCORPORATED,

*Respondents.*

## ON PETITION FOR A WRIT OF CERTIORARI TO THE MICHIGAN COURT OF APPEALS

## BRIEF FOR RESPONDENTS IN OPPOSITION

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## QUESTION PRESENTED

SHOULD THIS COURT GRANT PETITIONERS' PETITION FOR WRIT OF CERTIORARI TO CONSIDER WHETHER FEDERAL PATENT LAW PRE-EMPTS A STATE COURT FROM HOLDING THAT PUBLICATION OF TRADE SECRET INFORMATION IN A FOREIGN PUBLICATION DOES NOT, *PER SE*, PRECLUDE A FINDING THAT THE INFORMATION IS TRADE SECRET IN THE UNITED STATES?

## STATEMENT UNDER RULE 28.1

Multi-Tec, Incorporated has no parent companies, subsidiaries or affiliates.

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## OPINIONS BELOW

The opinions of the Circuit Court of Lenawee County of the State of Michigan are reprinted in Appendices E and F of Petitioners' Petition for Writ of Certiorari. The opinion of the Michigan Court of Appeals is reprinted in

Appendix J of Petitioners' Petition. The Michigan Supreme Court's order denying Petitioners' Petition for Leave to Appeal is reprinted in Appendix L of Petitioners' Petition.

## COUNTER-STATEMENT OF THE CASE

Respondents developed a water treatment system for removing iron from water and filed patent applications in the United States which have now issued as United States Patents Nos. 4,430,228 and 4,451,361. Prior to issuance of the United States patents, the United States patent applications were kept in confidence by the United States Patent and Trademark Office as mandated by 35 U.S.C. § 122. Respondents also filed a patent application in Europe seeking foreign patent protection. Respondents kept the water treatment system as a trade secret during the pendency of the applications.

Petitioners learned of Respondents' iron removal system under confidentiality agreements entered into during their business relationship with Respondents. In violation of these agreements, Petitioners proceeded to manufacture and market iron removal systems using Respondents' trade secrets. Respondents filed suit against Petitioners for misappropriation of trade secrets and requested injunctive and monetary relief in state court. Just before trial, Petitioners discovered that Respondents' European patent application had been published in Europe. (Petitioners' Appendix E, 82a). Rejecting Petitioners' argument that the publication of Respondents' European patent application precluded a finding of trade secrets, the trial court

found that Petitioners had misappropriated Respondents' trade secrets prior to their discovery of the European patent application and awarded damages to Respondents. (Petitioners' Appendix E, 87a, 91a). The trial court, however, refused to enjoin Petitioners from future use of the trade secrets because the trade secrets had become available to the public through the publication in Europe. (Petitioners' Appendix E, 88a-89a).

On appeal, the Michigan Court of Appeals held that publication of confidential information in Europe in a European patent application does not, *per se,* preclude a finding of the existence of a trade secret. (Petitioners' Appendix J, 122a). In affirming the trial court's decision, the Court of Appeals relied upon evidence of measures taken by Respondent to keep the information confidential and pointed out that there was no evidence presented at trial which would indicate that any other person or entity involved in water treatment processes was aware of the European patent application or the information in the application. (Petitioners' Appendix J, 123a). The Court of Appeals further noted that Petitioners themselves did not know of the European patent application until after the institution of Respondents' suit. (Petitioners' Appendix J, 122a). Finding the trial court's decision clearly supported by the record, the Court of Appeals affirmed the trial court's decision. (Petitioners' Appendix J, 123a).

Petitioners' petition for leave to appeal to the Michigan Supreme Court was denied. (Petitioners' Appendix L).

———o———

## SUMMARY OF THE ARGUMENT

This Court has held that federal patent law does not pre-empt State trade secret law. While it is a policy of federal patent law that matters once in the public domain must remain in the public domain, a trade secret, by definition, has not been placed in the public domain. In the instant case, the Michigan Court of Appeals correctly held that the information in question was secret and that the publication of the information in a European patent application did not, *per se,* preclude a finding that the information was trade secret at the time of Petitioners' misappropriation. A contrary holding would impose a patent law novelty requirement on trade secret law which has already been rejected by this Court.

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## ARGUMENT

In *Kewanee Oil Co. v. Bicron Corp.,* 416 U.S. 470, 474 (1974), this Court put to rest the contention that federal law pre-empts States from forbidding the misappropriation of trade secrets. *Aronson v. Quick Point Pencil Co.,* 440 U.S. 257, 265 (1979). Until Congress takes affirmative action to the contrary, the States should be free to grant protection to trade secrets. *Kewanee,* 416 U.S. at 493. The States may hold diverse viewpoints in protecting intellectual property relating to invention as long as they do not regulate in conflict with the operation of the laws passed in this area by Congress. *Kewanee,* 416 U.S. at 479.

Petitioners argue that the decision of the Michigan Court of Appeals upholding Respondents' trade secret

agreements is in conflict with the policy of federal patent law articulated in *Kewanee:* "that which is in the public domain cannot be removed therefrom by action of the States". 416 U.S. at 481. Respondents disagree. In *Kewanee,* this Court recognized that since trade secret information is, by definition, information not in the public domain, State protection of trade secrets does not conflict with this policy. 416 U.S. at 484. Moreover, in *Aronson,* this Court further held that State enforcement of a trade secret royalty agreement, even after the trade secret was in the public domain, does not conflict with this federal policy. 440 U.S. at 266.

Petitioners argue that Respondents' trade secrets were "public" as a result of the publication of Respondents' European patent application. Respondents do not contest that the publication of the patent application in Europe rendered the information available for discovery in the United States at some point after publication. Respondents were denied permanent injunctive relief because the trial court found that the information had become available through the European patent. However, as the trial court and Court of Appeals holdings implicitly recognized, the fact that a trade secret may be available for later discovery does not necessarily place it in the public domain and destroy its status as a trade secret. Most trade secret information is available for discovery by, for example, reverse engineering, investigation, research or other means. Such availability for discovery does not, however, negate the confidentiality of the information as a matter of law or preclude it from being a trade secret. See generally, R. Milgrim, 1 *Milgrim on Trade Secrets,* § 2.06-2.08 (1985).

The heart of Petitioners' argument is that the publication of trade secrets in Europe in a European patent application should, as a matter of law, destroy the secrecy of the trade secrets in the United States and void any agreements made by Petitioners to keep the trade secrets in confidence. Whether Respondents' trade secret information was secret or in the public domain, however, was a question of fact and was decided in favor of Respondents by the trial court and affirmed by the Michigan Court of Appeals. The Court of Appeals recognized that to be a trade secret the information in question must be "secret". (Petitioners' Appendix J, 121a). The Court pointed out that no evidence was presented at trial which indicated that any other person or entity involved in water treatment processes was aware of tl. European patent application or the information contained in the application. The Court further noted that Petitioners themselves did not learn of the application until after institution of Respondents' suit. Refusing to hold that the publication in Europe *per se* placed the information in the public domain and destroyed Respondents' trade secrets, the Court of Appeals affirmed the trial court's finding of trade secrets as clearly supported by the record.

Petitioners ask this Court to hold that the States are pre-empted by federal patent law from holding that information available in a European publication can enjoy, at least for a limited time after publication, trade secret status in the United States. Petitioners are in essence inviting this Court to impose a strict patent novelty requirement on trade secrets. Novelty is required by federal patent law as a prerequisite for patentability of an invention. Under 35 U.S.C. § 102, a person is not entitled to a United States patent for an invention if the novelty of the inven-

tion has been destroyed by the invention's description in a printed publication or by public use or sale in this country more than one year prior to the date of application for a patent. However, as recognized in *Kewanee,* novelty in the patent law sense is not required for a trade secret. 416 U.S. at 476, 484 n.13.

Petitioners seek to escape liability for misappropriation of Respondents' trade secrets in violation of their secrecy agreements by attempting to create a conflict between State trade secret law and federal patent policy. No such conflict exists. As stated in *Kewanee,* "trade secret law and patent law have coexisted in this country for over one hundred years. Each has its particular role to play, and the operation of one does not take away from the need for the other". *Kewanee,* 416 U.S. at 493.

## CONCLUSION

Respondents contend that the Michigan Court of Appeals correctly decided the case before it and that this case raises no substantial federal question. The Court of Appeals' holding that publication in a European patent does not, *per se,* destroy a trade secret is not pre-empted by federal patent law and does not conflict with this Court's decision and policies expressed in *Kewanee.* 416 U.S. 470. Respondents respectfully request that the Petition for Writ of Certiorari be denied.

Respectfully submitted,

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